



**AMENDED MINUTES
AS APPROVED NOVEMBER 8, 2005**

**CITY OF SCOTTSDALE HOUSING BOARD
SPECIAL MEETING
VIA LINDA SENIOR CENTER
10440 E. VIA LINDA
SCOTTSDALE, ARIZONA
OCTOBER 27, 2005**

PRESENT: Del-Monte Edwards, Chairman
Joe Priniski, Vice-Chairman
George Leonard, Board Member
Gary Morgan, Board Member
Sheldon Sigismund, Board Member
George Sutherland, Board Member
Michele Swinick, Board Member

ABSENT:

STAFF PRESENT: Donna Bronski, City Attorney
Molly Edwards

SPEAKERS: Frank Gray, General Manager, Planning & Development Services
Judy Register, General Manager, Citizen & Neighborhood
Resources
Raun Keagy, Neighborhood Services Director
Pete TeKampe, Arizona Real Estate Commission

1. **LUNCH**
2. **CALL TO ORDER/ROLL CALL**

A special meeting of the Scottsdale Housing Board was called to order by Chairman Edwards at 12:57 p.m. A formal roll call confirmed the members present as stated above.

3. **PRESENTATION ON SCOTTSDALE'S REVITALIZATION EFFORT**

A. Judy Register, General Manager, Citizen & Neighborhood Resources

Judy Register, General Manager, Citizen & Neighborhood Resources addressed the meeting, noting that the Department has become very involved in residential revitalization. Ms. Register reported that Ed Gawf, Assistant City Manager, was unable to attend the meeting. Using notes from Mr. Gawf's presentation last year to City Counsel, Ms. Register will provide the Board with a sense of where the City has been headed in terms of commercial and residential revitalization.

Ms. Register summarized the definition of the area that the City has been concentrating on in revitalization efforts, noting that the area changes depending upon who you talk to. In 2004 the City emphasized revitalization by assigning it to Ed Gawf and forming an interdepartmental team of staff from all over the City in an effort to concentrate on those issues that were most affecting specific revitalization areas. The group generated many ideas relative to what could be done to revitalize residential and commercial areas.

Ms. Register noted that residential revitalization efforts accomplished over the past 18 months are outlined in the Revitalization Workbook and include: the Fee Reduction program, Rock the House and landscape assistance programs, both of which are set up for low to moderate homeowners.

Furthermore, City Counsel has emphasized the need to maintain the residences of people who currently live in Scottsdale and encourage current residents of Scottsdale to stay. This resulted in the creation of the fee reduction and house/landscape assistance programs

Ms. Edwards noted that the Permit Reduction program encourages people to reinvest back into their homes through the City reduction of fees. She also noted that a number of programs such as Scottsdale Teens on a Mission for Progress: (STOMP) helping elderly maintain their homes and the Landscape Assistance Program are currently being created.

Ms. Register stated that a corner stone of revitalization is code enforcement and the push for revitalization has caused code enforcement to be a very important component of what the City provides to the community. The City is expending much more effort toward code enforcement than in the past and being much more aggressive in seeking out those code violations because some neighborhoods desperately need that level of attention from code enforcement.

In response to a question by Chairman Edwards, Raun Keagy, Neighborhood Services Director, confirmed that traditionally neighbors report neighbors; however, the desire is to end that scenario and have City staff be the ones that identify the problem.

In response to inquiry by Board Member Swinick, Ms. Register reported that 90% of true complaints are solved voluntarily, opining that the issue comes down to

lack of education. Ms. Register specifically noted that there is a 6 inch maximum on tall grass and weeds.

Raun Keagy reported that Code Enforcement is responsible for a number of ordinances such as zoning (basically land use), property maintenance ordinance (high grass/weeds, peeling paint, roof conditions), solid waste ordinance (trash), and housing code (the 1987 Uniform Housing Code directs the condition of the interior of the properties). Ultimately the property owner is always the responsible party; whether it is owner occupied or a rental. Property ownership status is not categorized because the goal is compliance.

Mr. Keagy noted that the City recently began requiring rental registration and appropriate licenses, explaining that if a person owns three rental properties in the State of Arizona, one of which is in Scottsdale, they must register with Maricopa County as a rental property owner and obtain a privilege tax license for the City of Scottsdale.

Mr. Keagy explained the pretext under which the City can conduct interior property inspections, specifically noting: by invitation of the owner or tenant or by court administrative search warrant. Ms. Bronski directed the Board to consider the 4th Amendment, citing that people have an expectation of privacy that is protected by the Constitution.

In response to a question by Board Member Leonard, Mr. Keagy confirmed that the City will be searching the tax rolls to ensure that out-of-state owners are registering and paying their sales tax. He further reported that Ms. Edwards has been working with the Assessor's Office and the Tax & License Department in an effort to create that database.

In response to inquiry by Board Member Prinski regarding code violations by the elderly or handicapped, Mr. Keagy stated that those cases are handled via inspectors assessment of the situation and location of appropriate resources to assist with the issue. When applicable, the problems are taken care of on the spot.

Discussion ensued regarding the general plan for the area in the southern part of Scottsdale.

Board Member Sheldon asked what the Board can do to recommend some programs that will mitigate the cost of housing going forward. Ms. Bronski explained that the general plan for this area calls for intensities of development that are higher than current development. The City can initiate those changes as a long-term approach. She noted that changing a general plan does not mean that anything existing must convert to it. Currently the City's intent is to redevelop the commercial areas and revitalize the current residential areas.

Board Member Sigismund asked how there can be affordable housing in Scottsdale when there are market forces driving the rent and/or values of residential buildings. The market forces put affordable housing out of reach of the average working person. Board Member Sigismund questioned how one can

come up with answers when the objective of Council is to retain the status quo so that there isn't any opportunity for creativity to come in and provide proposals.

Ms. Bronski clarified that she was describing the current status and encouraged that should the Board propose recommendations, then Council has a reason to rethink the status quo.

Ms. Register added that this is an issue that the Housing Board has struggled with for some time. Although Council has not requested assistance from the Housing Board, there is a window of opportunity for the Board to be involved. Council is receptive to hearing ideas about what could possibly be done to retain workforce housing. She explained that Council's work study sessions are the time and place to present ideas for discussion.

Board Member Sutherland remarked that the developers coming into town are only interested in money. Board Member Sigismund noted that there are ways of creating working programs with the developers, specifically citing that the City has the ability to rezone certain areas that developers can't, as well as the ability to sponsor low interest loans that could be floated by the municipality, which could create a substantial reduction in rents. The City of Scottsdale can work with the developers to attain an objective. By promoting workforce housing the City will inspire developers to provide housing within the parameters applied by Council.

Discussion ensued regarding the rezoning process, whereupon Ms. Bronski explained that a property owner or the City can initiate the rezoning. The property owners in the area are notified regarding the proposed rezoning. After 30 days, the matter is presented to the Planning Commission for recommendation. Six weeks later the matter is presented to Council for formal vote. The process could be completed in 4 to 6 months.

Discussion ensued regarding the status of Council's interest in affordable housing to date as well as the Board's involvement therewith.

Ms. Register remarked that the Housing Board needs to educate Council as to what is possible, what is needed and why. The Housing Board is considered the experts. She suggested that the Board identify which initiatives should be the priority for the next five years, provide an estimate of related costs and note whether the proposed initiative may incur a change in legislation.

Discussion ensued to clarify the process involved in making recommendations to Council and receiving direction from Council.

Ms. Edwards made note of Council's next retreat and stressed the importance of the Housing Board's being heard from.

Ms. Register and Chairman Edwards emphasized that the consistent message received from Council over the past year is the need to focus on housing issues and workforce housing.

Board Member Sigismund suggested that the Board produce a report using the key words "workforce housing" instead of "affordable housing" and opined that asking the question of how people working in Scottsdale can afford to live in Scottsdale carries a great deal of weight.

In closing, Ms. Register distributed a 15 page packet regarding the revitalization related projects currently in progress in the City.

B. Frank Gray, General Manager, Planning & Development Services

Ms. Edwards introduced Frank Gray who has recently joined the City of Scottsdale as the new General Manager of Planning and Development Services. Mr. Gray came to Scottsdale from Lakewood, Colorado and is also an attorney.

Mr. Gray presented an overview of his experience and background: He was a young planning director of Petaluma, CA and wrote a growth management plan that got litigated all the way to the US Supreme Court. A portion of that case had much bearing on open and free housing, which resulted in a Complaint filed by the CIA against Mr. Gray. The City was artificially manipulating the housing market, denying people the freedom to choose housing. The court found that the construction industry was also doing that very well. The City's plan laid out a plan in an effort to balance housing types and affordability of housing.

Mr. Gray later became the Planning Director in Bolder, CO who is known for its affordable housing program that includes mandatory rental inspections because of their tremendous amount of student housing.

Mr. Gray then became the Chief Project Planner of the new Denver International Airport and later became the Planning and Community Development Director of Denver. In that role Mr. Gray became very involved in mutual housing and sat on the Rocky Mountain Mutual Housing Association Board for eight years.

He was then appointed to the Board of Directors of the Resolution Trust Corporation, charged with resolving the real estate assets of the savings and loans who had gone bankrupt.

Mr. Gray then worked in Lakewood for 12 years, primarily in Section 8 housing group.

Mr. Gray opined that workforce housing is a better term to use because the issue is not about the income of the person. The issue is the affordability of the house. The worst combination is low-income people in cheap housing. If the issue is to become a person, the real effort should be in supplementing income and not putting them in cheap houses.

Mr. Gray hopes that the Scottsdale planning program will become much more sensitive and involved in housing and housing issues, noting that there are unique opportunities and challenges in the current Scottsdale. He cited that Mr. Gray reported that as of this morning, the Planning Department has been reorganized into geographical areas. The areas are defined as: Southern Scottsdale, Central Scottsdale (Indian Bend to 101), Northern Scottsdale (101 to

Carefree). Planners will work as groups in those areas in order to gain expertise in specific areas of town.

Mr. Gray also noted that two new offices are being opened; one at the corporation yard and the other at the Water Campus up north. The upstairs counter will be moved downstairs in order to be able to collect plans and things that citizens need to get to City Hall.

Mr. Gray stated that the goal is to get out and serve the community, elaborating that inspection staff will also be divided into three geographical areas.

In response to inquiry by Board Member Leonard, Mr. Gray explained that mutual housing is where the actual tenants are owners of the housing: communal ownership or co-ops. When eligible, a fee is paid to become part of the homeowner's association, which is then responsible for the maintenance, operation, and development of the project. The tenants get to decide how much to assess themselves to obtain a level of services above that. Mr. Gray noted that those types of projects have been extremely successful.

Furthermore, those projects include an opportunity for ownership by setting aside part of rent in a down payment fund held in escrow. The real estate office helps them find a place and then will underwrite or insure their loan. This is done by the Mutual Housing Corporation with funds from entities like the McArthur Foundation. It is done through CRA requirements on banks, who are very cooperative when you write CRA letters to them questioning their meeting CRA requirements.

Mr. Gray stated that there are a great number of techniques and tools that can be used to leverage where you're going with housing. He thinks it is clear that this Housing Board represents the community and is responsible for gathering and sensitizing what the communities needs are. And subsequently presenting the results to the Council, emphasizing specific issues that need to be addressed or resolved.

Mr. Gray further noted that Council has indicated that they need advisory boards to provide direction the important issues the City needs to address and suggestions for how to go about it.

Mr. Gray stressed the need to view the issues through the perspective of relationship and balance, the environmental and physical implications of that. He elaborated that people shop near their home and not where they work, resulting in dollars being taken out of this City and being spent somewhere else. Heavy duty economics come into play when dealing with housing issues.

Ms. Edwards introduced the topic of condo conversions.

Mr. Gray remarked that this is an extremely complex issue. He has seen communities that have said we need a good strong inspection program which will help slow down condo conversions, which actually speeds it up, resulting in slum lords deciding to convert to condos because of the inspection problems.

Mr. Gray noted several critical issues:

If a tenant rents for \$800 a month which is then converted to a condo and an investor will come back at current present value, base the rent on that and then do an accelerated depreciation, rents can go up to \$1,000 month.

When there is a problem in a rental complex there is one person or management company to deal with the problems. When a condo conversion takes place with 30 units, then there are 30 people to ask to fix the problem, who will in turn point to one of the other people.

State law mandates that any law cannot be applied to a condo conversion that would not have been applied prior to the conversion.

Mr. Gray noted that attempts to tighten up rental regulations can cause a substantial increase in the cost of the unit and cautioned that the Board needs to think through the unintended consequences of any kind of action that it chooses to take and consider what effects the decision may have within the market forces. There should also be some basic life safety issues that can be dealt with regarding adequate fire protection and electrical needs. These should be required for rental, condo, and remodel units.

In response to a question by Board Member Sutherland regarding the installation of the life safety issues, Mr. Gray opined that there should be a great deal of concern from the lending industry rather than City, noting the specific differences between firewalls. He stressed the need to evaluate technical issues and try to protect the life and safety of individuals and the investment community. He suggested that the City may need to require that all apartments being renovated more than 10-20% must meet current fire codes between units. He further opined that there should be differences between apartments and condos but the state legislature currently prevents that from occurring. He suggested that the House Board recommend to City Council that they actively participate and work on changes to state laws.

Discussion ensued.

Board Member Sigismund expressed concern about having the Arizona legislation look at modifying the ARS, the battle looming with the real estate industry, and the 25,000 existing units in Scottsdale that will be converted to condos within 2-4 years. He stressed the importance of determining how to be ahead of the curve for the next phase of the development and be in the forefront of some program for workforce housing

Mr. Gray opined that it is a two-fold approach, elaborating that when you plant a small tree it isn't for you, it's for the next generation. Some of the things that have to happen with the change of state law probably won't benefit current Scottsdale, but someone needs to stand up and say this is a serious problem affecting the ability to have affordable housing. It is a long-term strategy that shouldn't impair the Board from making that recommendation. There needs to be an aggressive program that deals with the issue of the provision of affordable housing in the Scottsdale area.

He suggested ideas such as the consideration of a housing program where the City gets involved or sets aside projects, as well as evaluating percentages of projects that need contributions, or the possibility of establishing a housing trust fund that people need to contribute to.

He further suggested the possibilities of considering the whole issue of co-op housing as well as working with housing providers such as Mercy Housing, ACORN, the Habitat for Humanity. He noted that there are numerous quasi public entities and agencies that are in the business of providing affordable housing and suggested that the Board work cooperatively with those entities.

Mr. Gray suggested using staff to determine the range of available options as well as the benefits and detriments of each option.

Board Member Sigismund asked if there is any conceptual plan that the City of Scottsdale has for South Scottsdale, for increased density going forward, to support some of these new commercial or industrial centers currently being flagged.

Mr. Gray replied that there is no comprehensive plan, either for the corridors or the neighborhoods, but noted that one of his goals from the planning standpoint is to get those in place. Over the next 5 years he intends to have comprehensive neighborhood plans developed for all of the neighborhoods in South Scottsdale. Central and North Scottsdale are master planned communities already and do have plans in place.

Mr. Gray elaborated that some of the projects are brought about by trying to provide retail and workplace opportunities for those particular areas. He specifically referred to the conversion of a K-Mart into a Lowe's Home Center which result in a tremendous amount of reinvestment going on in the form of remodeling and rebuilding, wherein a home improvement is absolutely critical in that environment. The Los Arcos plan is a great convergence of the University and its minds/energy which will result in a tremendous gentrification of the surrounding neighborhoods.

Mr. Gray queried what is being done in our social responsibility as a community to ensure that there are adequate opportunities for low to moderate income people. The question might be that this body should go out and advocate the extension of light rail. Housing needs do not know artificial political boundaries. When you look at housing and jobs, nobody considers the city boundary when looking for a house. The light rail system allows you to live far from work and travel in less time than car travel. He further suggested that the City should be working with the East Valley on how to balance housing.

Mr. Gray described a housing trust fund adopted by Denver where any major commercial project, either industrial or commercial, has a surcharge on their tax or fee which is a housing fee. Mr. Gray also noted that industrial revenue bonds are tremendous for 40/60 splits in housing policy.

In response to query by Chairman Edwards regarding the political issue of sharing tax basis in a regional approach, Mr. Gray stated that Scottsdale only has the stacked 40s and the areas east of that. Scottsdale is a mature community that is going to look more at the quality of the environment we're creating and that quality should include diversity. One of the moral issues is including diversity in that quality statement. It's very important for the counsel to understand that there are leaders within this community who believe that creating an elitist society is not a long-term solution to a good city.

Board Member Morgan asked how to bring up low-income people so they can afford good quality housing. Frank Gray reflected on the Boise Cascade homes from the 1960s, wherein Boise Cascade built a subdivision of very cheap houses for low-income people. When the homes were five years old, the City bought out the whole subdivision and demolished the homes. Mr. Gray opined that the worse thing you can do is build inexpensive housing with things that fall apart quickly for people who have little means to maintain the houses. Mr. Gray suggested that the Housing Board invite a builder in to discuss housing economics.

Discussion ensued regarding renting versus buying, followed by a discussion regarding the Mutual Housing Corporation program.

In closing, Mr. Gray suggested obtaining input from Phoenix and Tucson and also noted that Albuquerque has a very active program in affordable housing. He stressed the importance of evaluating what is working, what people are doing, and what is appropriate for Scottsdale.

4. **CONDO-CONVERSIONS DISCUSSION**

A. Real Estate Expert Pete TeKampe of Marcus & Millichap

Ms. Edwards introduced Pete TeKampe of Marcus & Millichap. Providing an overview of Mr. TeKampe's expertise, Ms. Edwards noted that he writes for the Arizona Multi-Housing Association and is a sought after expert by numerous Arizona venues such as the Arizona Republic, Arizona Business Journal, and the Real Estate Business Magazine. He is also a Board Member of the AMA. Ms. Edwards noted that Mr. TeKampe is the statistics extraordinaire and she consults with him regarding the Housing Board report.

Mr. TeKampe reported that he sells commercial real estate with the largest investment property company in the world called Marcus & Millichap. He noted that he previously ran a housing study for an aerial photo company called Lantus Cord and he now applies that experience in the apartment business along with commercial property, such as strip malls and office buildings.

Mr. TeKampe provided City of Scottsdale apartment building statistics as follows:

1. **116 buildings with more than 50 units = 24,769 units**
(Average age of buildings is 1987.)
2. **49 buildings with under 50 units = 1,019 units**
(Average age is early to mid 1970s.)

Grand Total: 165 apartment buildings 25,788 units

Information is current as of the end of the 3rd quarter--data arrived on his desk yesterday.

Currently there are 2 buildings in construction or in the development pipeline which will be built within the next 2-3 quarters, totaling almost 497 units.

So far this year there are 10 buildings that have sold in Scottsdale totaling 2,872 units of which he has confirmed are condominium conversions. That is a subset of the rumored total of 27 buildings totaling 7,212 units targeted for conversion.

Mr. TeKampe reported that Scottsdale also has the highest rents valley wide, estimated at \$875 a month to date. It also has the third lowest vacancy rate valley wide at 6.3%.

In response to a question by Ms. Edwards, Mr. TeKampe noted that the condominium conversion craze began approximately mid to the end of 2004. The average number of conversions over the last 10 years approximates at a couple hundred per year.

Mr. TeKampe confirmed verification that since the beginning of this year, 2,872 units in 10 buildings are going to be converted. The confirmed 2,872 units are a subset of a larger group of 7,212 units in 27 buildings, which is what the market believes will be converted in Scottsdale this year. Of those 7,212 units and 27 building projects, he has been able to verify 2,862 of those units and 10 of the buildings.

Discussion ensued regarding the unconfirmed suggestion that 12,000 units would be converted in Scottsdale this year. Mr. TeKampe stated that just under 3,000 people/investors have indicated the intention of converting the units they have purchased. Mr. TeKampe opined that it is unlikely that 12,000 units will be converted by the end of this year, but may by the end of next year. Speculation is that virtually all of the apartments in the City of Scottsdale are going to disappear.

Mr. TeKampe further noted that at the beginning of 2003, if the average renter moved out of an apartment with average rent, went and bought a median priced home in the Phoenix Metropolitan area, the additional monthly cost to that individual would be \$187.00 a month. Today that cost differential is over \$700.00 across the Phoenix area; Scottsdale is much larger.

In response to questions by Board Member Morgan, Mr. TeKampe explained that a 2 bedroom/2 bath unit comprised of 1,000 square feet might sell for \$250-\$325,000 and the median price of a home in the Phoenix metro area is currently about \$240-\$245,000. In Scottsdale, that figure is well above what the typical converted unit will sell for on average.

Additionally, most of the buildings originally targeted for condominium conversion in Scottsdale, Phoenix, Chandler are going to be the newer, nicer properties with the rich amenity package. He elaborated an example: a 1964 constructed 36 unit building on 38th Street N. of Indian School Road closed for \$2,920,000 @ \$81,000 a unit (\$118 per sq. ft) (E- location/C asset). Owner bought it as an apartment building and could convert it to a condominium project and sell out in a weekend. Homes in that area consistently sell for over \$500,000. If somebody wants to own a home and live in Scottsdale, there are no options except for these units that are being converted.

He further explained that the early condo conversion craze was narrow and limited to just brand new luxury buildings built with condo specs that already had condominium horizontal regimes placed on them so all you have to do is flip a switch and everybody is individually metered for water, electricity, etc. With a new association in place, opportunities are widening. Projects three years prior not considered as a condo conversion candidate, are now being researched for consideration. He also stressed that many of the buildings identified for conversions were built to apartment specifications and not individual home specs.

Board Member Morgan queried whether there are any reasons or incentives for a developer to buy an affordable apartment complex and convert the project to affordable condos. Mr. TeKampe identified that tax credit buildings can be built for HUD properties and noted that he is a partner in a HUD building in Tempe called Tempe Villa, where residents pay what they can and the government covers the rest. He further noted that there are not a great deal of financing incentives for building tax credit projects in Scottsdale. He opined that investors will be coming to Scottsdale to buy blocks of these converted units because they are easier to finance than buying the whole project. One can get quadruple leverage from a bank as the home occupier compared to as an investment. This practice is rampant across the valley.

Chairman Edwards directed the discussion back to the gap on affordability issues and asked if condo association fees are factored into that gap. Mr. TeKampe reported that tax benefits of owning were not considered in the gap. It is impossible to quantify across the board without standardized requirements.

In response to query by Board Member Leonard regarding size differentials in relation to cost comparisons of renting or buying, Mr. TeKampe reported that approximately 46-47% of all apartment units are 2 bedroom/2 bath; 42-43% are 1 bedroom/1 bath. Average rents valley wide tend to lean toward the larger unit sizes. The 3-4 bedroom category percentages combined are less than 10% of the marketplace.

Responding to inquiry by Board Member Morgan regarding the differences between the municipalities in dealing with condo conversions, Mr. TeKampe indicated that Mesa is virtually impossible to work with and Phoenix is simple and easy to work with.

Mr. TeKampe made note of a task force in Phoenix dealing a crime free program and anti-slum lord legislation. He noted that areas in clinical C & D markets are

now being targeted for condominium conversion. The task force wants to bring affordable housing to the masses.

Upon request for clarification by Board Member Sutherland, Mr. TeKampe described that:

A market is the best-located apartment building in the Phoenix metropolitan area. An example would be the Meridian on the Biltmore located at 32nd Street N. of Camelback Road. It was converted to condos and was sold by his partner in 1995 for \$100,000 per unit, the highest priced premium paid for an apartment building in the Phoenix area. A new record was set by Orchards at 36th Street and Camelback at \$136,000 per unit. . The best location is Del Prado located north of 32nd Street; A+ asset and location. Most of the Scottsdale properties would be considered A to A- locations. South Scottsdale on the border of Tempe is changing as a result of ASU and the transportation corridor down Scottsdale Road.

C areas would be the Black Canyon corridor (from Glendale Ave. to Indian School/19th Avenue to 43rd Avenue)—the lowest rents in the Phoenix metropolitan area. **D** area would be Lower Buckeye/Broadway and about 16th Street.

Board Member Sigismund reflected that Mesa retains its low price stock of rentals because of the difficulty in being able to convert, whereas a City like Phoenix that has very few roadblocks which encourages conversion to condos because of the simplicity of the procedure. Mr. TeKampe agreed and opined the city that will be impacted the most in the shortest amount of time from units being sold for the purpose of renting is Scottsdale.

General discussion ensued regarding the status of available affordable housing across the Valley, whereupon Mr. TeKampe suggested that Scottsdale needs more apartment units to be built, more land to build on, easier workings with the planning and development process allowing higher density projects.

In response to inquiry by Board Member Sigismund, Mr. TeKampe suggested that perhaps a D restriction would prevent conversion to condos, noting a number of buildings are evaporating on an ongoing basis.

Board Member Sigismund referred to ARS 33-1205, which provides generally that no real estate law shall impose any requirement on a condo conversion that it would not otherwise impose on a physically identical development under a different form of ownership. Board Member Sigismund queried whether it would be a contravention of that law if Scottsdale encouraged higher density on the condition of arcadia tests, limiting the convertibility to condo.

Ms. Bronski stated that there might be ways through joint ventures where the City could encourage construction with restrictions that require units to be kept as rentals, further identifying that such a practice might be contractual rather than regulatory.

Mr. TeKampe referred to the Resolution Trust Corporation who sold off numerous units and imposed a deed restriction that went with the property for 20-30 years called Land Use Restriction Agreements (LURA) wherein an owner cannot raise rents above the average published by HUD.

In response to inquiry by Chairman Edwards, Mr. TeKampe opined that probably less than 25 buildings in Scottsdale have this restriction.

Board Member Sigismund suggests that the Housing Board may have to invent a new wheel as to how to address the affordability question going forward. The market place momentum may not slow down but there may be creative ways to achieve some objectives. Chairman Edwards agreed and expressed a strong interest in properties with deed restrictions.

Chairman Edwards asked if providing bonus points for density on projects that would include a portion of the property for affordable housing might bypass the ARS guideline. Ms. Bronski stated that there would be some latitude if the Board established an option and incentive process rather than a requirement/restriction for approval.

Brief discussion ensued regarding the issuance of revenue bonds.

Board Member Morgan asked Mr. TeKampe if there is anything the Arizona Department of Real Estate has to do or how they might look at condo conversions other than a clerical process. Mr. TeKampe informed that the Department exists to protect the public from unscrupulous business practices. If and when a consumer gets hurt because an owner shirks maintenance responsibilities, the Department might want to restrict condo conversions. He explained that there will be problems resulting from renters becoming owners because of inexperience with maintenance and costs.

Discussion ensued regarding building codes. Ms. Bronski informed the meeting that building codes get updated every couple of years but there are differences based on property and ownership lines. Separation requirements for fire codes/firewalls that applies between different ownership may not always apply unit by unit. Just because a conversion is being done doesn't mean we can make them come up to code. We need something significant indicating that certain things have to happen to require upgrades.

Board Member Leonard addressed health and safety issues, noting that repairs or improvements performed without a building permit are not required to be disclosed. Ms. Bronski suggested that the Board may want to lobby the legislature to change this practice, especially if there are health and safety issues.

In closing, Mr. TeKampe agreed to compile a list of every apartment building being converted along with the fee restrictions.

5. **REVIEW AND CLOSING REMARKS**

A. Resolution of Department Transfer Four Years Ago

Chairman Edwards reported that discussions are being held about the Housing Board and who the Housing Board reports to in terms of departments. He explained that the Housing Board currently reports to the Citizen and Neighborhood Resources Department and that there are some discussion about changing this protocol to the Human Resources Department. Chairman Edwards invited Board Member to discuss the matter.

Board Member Morgan expressed concerns regarding another interruption in the Boards productivity caused by facilitating such a change.

In response to a request for background by Board Member Sigesmund, Ms. Register presented a synopsis regarding the matter.

Ms. Edwards confirmed that the Housing Rehab program has been moved back to Mark's division. She further noted that the change was needed to address the daily issues of accounting and administrative issues.

Ms. Register noted that moving Housing Rehab back to Community Services freed up Ms. Edwards to take on some other responsibilities, including neighborhood outreach. The decision to move Housing Rehab prompted the question of whether the Housing Board should also be moved. Staff determined the desire to query the Boards input in the decision. Ms. Register further noted that the Human Services Department is heavily into human service type issues while Citizen and Neighborhood Resources deals with revitalization and neighborhood organizing.

Board Member Leonard expressed that the Housing Board is more involved in creating some of the policy in the outreach forum.

Board Member Sigesmund opined that there is going to be a major direction the Board will be taking in the near future, not only with recommendations but an awful lot of input required for the revitalization and provision of workplace housing that dovetails with Planning's look at South Scottsdale. He noted that the Planning Department is going to be recommending some higher density areas and the Board will have to be part of that to the extent of coming up with creative ways to accomplish affordable housing. He further expressed that the Board needs to consider its direction for the future; not where we've been in the past and how does that fit in the available options.

Ms. Edwards confirmed that the Board is connected quite closely with Planning, noting that one benefit of the Department is working hand-in-hand with Planning on a regular basis and having access to developers.

Board Member Priniski shared that from his perspective the focus the Board is gearing towards is policy changes and community development. He opined that the Human Service Commission activities do not fit into the direction of housing development.

In response to inquiry by Board Member Morgan regarding the changes in staff function, Ms. Register noted that Ms. Edwards will continue to serve as the Board's staff liaison if the Board remained under Citizen and Neighborhood Resources. Board Member Morgan stressed his preference of not changing relationships.

Further discussion ensued. Mr. Register reiterated that the Board is going in a different direction and evolving. Board Member Morgan expressed favor in maintaining a good dialogue with the Human Services Commission and the Board's current involvement in the funding process. Ms. Register noted that in that regard it would be the chair and the staff liaison's responsibility to ensure that somehow the Board maintains that connection with the Human Services Commission..

B. Preparation of Timeline

Ms. Edwards suggested a debriefing regarding the possible solutions as discussed throughout the retreat and identified that the Board will need to develop a timeline defining engagements for next year.

Ms. Edwards requested that Board Members take a few minutes after the meeting to jot down some of the pertinent ideas to be considered in an effort to hit the ground running at the next meeting. She encouraged that Board Members focus on the solution.

Brief discussion ensued. Ms. Edwards noted one issue that was not discussed with Frank Gray and may want to be discussed in the future is some of the different options that could go through with the Planning Department.

In closing, Ms. Edwards defined that once the Board establishes what is to be accomplished, then the ideas of how to get there will be written down and set into a timeline. She stressed the previous consequences of over agenda-izing and taking the opportunity to set down very specific goals and those things that need to be accomplished to stay on task.

C. Memo About Open Meeting Laws

Chairman Edwards queried if a violation of open meeting law occurs if one member sends an email to him, he adds his comments and forwards it to another member. Ms. Bronski confirmed that a violation occurs as soon as the email is sent to the fourth member.

Ms. Edwards suggested that Board Members send an email blind copy to everyone, which prevents one from being able to reply to all.

In response to a question by Board Member Sigismund, Ms. Bronski noted that it is perfectly acceptable for 2-3 Board Members to get together; just don't talk to anybody else on the Board about what was discussed. Additionally, Board Members should avoid discussing or proposing legal action.

In response to a question by Board Member Morgan regarding the difference between a study session and a regular meeting, Ms. Bronski explained that the distinction is practice and the practice at Scottsdale and most of the other valley cities is that action is not taken at a Study Session.

D. Information Gathering Meetings to Attend

Chairman Edwards redirects the attention of the Board to a packet distributed by Board Member Sutherland, noting many items being discussed in terms of tool kits are in this September 2005 Community Investments article. He requested that Board Members familiarize themselves with the article prior to the next meeting.

Board Member Leonard noted that the Federal Reserve Bank of San Francisco and the Arizona Bankers are having a round table in Tempe on November 15th. Affordable housing and innovative tools is the forum highlight and there is a panel discussion that includes community land trusts. The event is a free half-day session.

Ms. Register noted the November 17th breakfast with Michael Pyatock.

In response to inquiry by Board Member Sigismund, Chairman Edwards confirmed that the only current expectation of the Housing Board is to deliver a report on condo conversion by the end of the year. Ms. Edwards reiterated the importance of the timeline, noting that there are critical steps along the way that need to be accomplished before a report is written.

General discussion ensued regarding timelines and preparations of a formal presentation to Council.

Board Member Sigismund asked if the question is converting apartments to condos or a question of affordable workplace housing. Ms. Register shared that her discussion with the Mayor gave her impression that the questions relate to: How do we preserve housing choice in Scottsdale so that it is not all just homeowners who are high income homeowners? And, How do you preserve housing choice in Scottsdale in which case the condo conversions is not helping to preserve housing choice?

Board Member Sigismund commented that there are two very distinct situations here. On the condo conversions, it's like the horse is out of the barn already. And workplace housing is something to plan for the future when we're at the front of the curve and not behind the curve. It is then extremely important that they be separated into two separate issues. And then the Board can focus and deal with each one.

Board Member Sigismund opined that the first issue on the conversion at this point is sort of a short report because in another year or two or three there will be little availability of housing here, which leaves little chance of accomplishing anything even if the Board were to come up with some brilliant ideas down the road to put into place.

Ms. Edwards disagreed, opining that as the Board, there is the ability to make changes in that

Discussion ensued regarding events relative to the withdrawal of Wagon Wheel Trailer Park application.

Further discussion ensued, reiterating points previously made regarding the condo conversion issue and possible remedies.

Board Member Sigismund suggested consideration of forming several subcommittees to explore the various options such as finance, redevelopment, how to work with developers.

Ms. Bronski cautioned the creation of subcommittees, suggesting the possibility of individuals volunteering for specific tasks to avoid formation of a separate public body that must be noticed.

Chairman Edwards expressed that the Board has thoroughly discussed the condo conversion issue and suggested flushing the issue out at the next meeting in order to clarify unresolved topics pertaining to condo conversions.

6. **OPEN CALL TO THE PUBLIC (A.R.S. § 38-431.02)**

No members of the public addressed the Board.

7. **ADJOURNMENT**

With no further business to discuss, being duly sworn and seconded, the meeting adjourned at 5:20 p.m.

Respectfully submitted,
AV- Tronics, Inc.